MONTANA TELECOMMUNICATIONS ASSOCIATION

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May 4, 2011

Marlene Dortch, Secretary
Federal Communications Commission
334 12th Street, SW
Washington, D.C.

In the Matter of

Connect America Fund	WC Docket No. 10-90
A National Broadband Plan for Our Future	GN Docket No. 09-51
Establishing Just and Reasonable Rates for Local Exchange Carriers	WC Docket No. 07-135
High-Cost Universal Service Support	WC Docket No. 05-337
Developing an Unified Intercarrier Compensation Regime	CC Docket No. 01-92
Federal-State Joint Board on Universal Service	CC Docket No. 96-45
Lifeline and Link Up Reform and Modernization	WC Docket No. 11-42
Lifeline and Link-Up	WC Docket No. 03-109
Rural Health Care Support Mechanism	WC Docket No. 02-60
Schools and Libraries Universal Service Support Mechanism	CC Docket No. 02-6

Dear Ms. Dortch,

On April 28, 2011, Ms. Betty Buckley, Executive Vice President of the Washington Independent Telecommunications Association (WITA) and Geoff Feiss, General Manager of the Montana Telecommunications Association (MTA) met with Angela Kronenberg, legal advisor to Commissioner Clyburn, and Brad Gillen, legal advisor to Commissioner Baker.

Mr. Feiss and Ms. Buckley described a an increasingly prevalent problem which has developed in the last eighteen months which appears to be caused by IXCs and wireless companies subcontracting with third parties for call termination services. The third party contractors are failing to terminate calls on rural networks. In some very rural areas ILECs estimate that more than 10% of all calls to their service areas are dropped due to “least cost routing” delays.

Results include a loss of sales to businesses, delays in medical care, and interruptions in elder care. Ms. Buckley and Mr. Feiss indicated they would be meeting with the Enforcement Bureau to discuss this issue and how it is compromising the integrity of the nation's public telecommunications network.

With regard to the Universal Service/Connect America/Intercarrier Compensation (USF/CAF/ICC) NPRM, they noted their concern that states, eligible telecommunications carriers (ETCs) and consumers may end up paying for the effects of the USF/CAF/ICC reform in the form of higher rates, less broadband investment and/or slower adoption of broadband services if the size of the overall Universal Service Fund is held to roughly current level while proposed reforms expand the cost of the four universal service programs (Low Income, Schools & Libraries, Rural Health Care, and High Cost).

The Schools & Libraries Program, currently indexed to inflation, is under pressure from schools and libraries to increase support for expanded broadband capacity resulting from mandates to enhance distance learning resources. The Low Income Program is rapidly growing already, having increased from roughly $500 million ten years ago to over $1 billion today. The Universal Service Administrative Company (USAC) estimates that the program reaches only about 35% of eligible low income consumers. If all eligible consumers were supported by the program, the size of the Low Income Program alone could increase to $3 billion.

Additionally, the Commission has recommended increasing funding for the Rural Health Care Program from its current funding of under $100 million to $400 million.

Finally, even if the USF/CAF/ICC reform is "revenue neutral"(an outcome that is far from certain), the potential expansion of the other programs will either shrink the size of the High Cost Fund, or "spill over" for states to pick up the increased cost of reforms of all four programs, or some combination of the four. If the Commission keeps all four programs roughly the same size as they are today, then any increased costs of reform of any of the individual programs will be borne by states and consumers.

Ms. Buckley and Mr. Feiss also expressed concern that reverse auctions, if adopted and implemented as proposed, may strand existing investment, threaten loan portfolios, and fail to reach the most unserved consumers. If the Commission wants to reach the most unserved consumers for the least amount of money, the highest-cost consumers are likely to be neglected.

Ms. Buckley and Mr. Feiss further pointed out that to the extent that the USF/CAF/ICC NPRM requires states to impose "rebalanced" intrastate access rates on carriers, the Montana Commission may lack authority to implement such a proposal.

With regard to Low Income/Lifeline reform, Mr. Feiss noted that currently Montana ETCs absorb the $3.50 per-customer State Lifeline support end-user charge; but the Montana Public Service Commission staff and Montana ETCs are concerned that if the cost of implementing proposed Lifeline reforms falls on states or ETCs to absorb, the ETCs may need to recover the increased costs by passing the $3.50 charge to consumers, defeating the purpose of the Low Income program by raising rates. Mr. Feiss also noted that other proposed reforms in the Low Income NPRM may necessitate state statutory amendments which may be difficult to realize. Montana Commission staff had expressed similar concerns.

Regarding the Schools & Libraries program, Mr. Feiss described widespread concern among schools, libraries and service providers relating to the gift ban provisions in the Commission's 6th Report and Order. The Order effectively has put a stop to any charitable contributions by service providers, or even potential service providers—regardless of their relationship with any schools and libraries—and schools and libraries. This unfortunate consequence is most pronounced in rural communities, where a longstanding charitable relationship exists between service providers and the schools and libraries in their rural communities. In Montana, the situation is exacerbated by state statute, which requires cooperatives to donate unclaimed capital credits for educational purposes. The most relevant and effective contributions are for services or technology related to distance education, both because distance learning can enhance the quality and effectiveness of rural schools and because rural schools rarely can afford distance learning technology. However, the gift ban has put a stop to such constructive contribution practices.

Ms. Buckley and Mr. Feiss also discussed the rural health care primary and pilot programs. In Eastern Montana and across Washington health care providers and network providers are working collaboratively to leverage telecommunications facilities effectively and efficiently. However, in Western Montana, one rural health care pilot project seeks additional funding to construct unnecessary, duplicative network facilities, which threaten to compromise current network investment. Moreover, the Government Accountability Office (GAO) has recommended that the Commission proceed no further with any health care program funding until the Commission establishes proper goals and measurements for both the pilot and primary programs. Further, as the MTA has argued in comments to the Commission, the Commission lacks authority to fund infrastructure deployment or implement the proposed infrastructure program.

Respectfully submitted,

/s/

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